

Chapter 5 **Retiring and Reinstating Assets**

Chapter Overview

Assets are retired when they are either disposed of or no longer in use. When an asset is retired, PeopleSoft Asset Management creates all of the necessary journal entries. When an asset is sold, the system calculates depreciation through the date of the sale (depending upon the depreciation convention used), as well as any gain or loss depending upon settings. In addition, journal entries corresponding to each of these events are created. Gains and losses are booked to separate accounts, allowing for flexibility in updating general ledger journals and balances.

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Chapter Objectives

- Define the different types of asset retirements
- Retire assets
- Reinstatement assets

State of Indiana Policy

8.4.3 Retirement of Capital Assets

The Department of Administration establishes guidelines and requirements relating to the retirement of agency assets. Generally, surplus property may be considered “retired” if disposed of in any of the following ways:

- Sent to Surplus property division
- Trade-in on another asset from an outside party; since a purchase is involved here, IDOA Procurement must be involved as well as Surplus; requisitions for the new items must include the price without trade in, the trade in value, and the price with trade in.
- Scrap when no other disposition is efficient or economical; contact the Recycling Program Manager in the Operations Division of the Department of Administration prior to disposal.
- Sell at public auction or by sealed bid; Surplus Property will determine method of sale’ Net proceeds, after costs of Surplus or Motor Pool, are credited to the selling agency’s account
- Sell to local unit of government by sealed bid; Surplus Property will assist. Net proceeds, after costs of Surplus or Motor Pool, are credited to the selling agency’s account
- Stolen assets should be reported to the Capital Police prior to processing retirement.

All retirements, whether or not State Surplus is involved, must be recorded in the ENCOMPASS Asset Management system, including accounting for any money received.

Defining the Different Types of Asset Retirements

PeopleSoft Asset Management enables you to fully or partially retire assets in the past, present, or future.

The three basic types of asset retirements are:

- Full
- Partial
- Prior Period

You can fully retire assets or retire them partially by quantity or by cost. You can also enter retirement information for assets that were physically retired in a prior accounting period.

Type	Description
Full Retirement	When all units and all costs of an asset are retired, the asset is considered fully retired. The asset is taken off of your books after the retirement has been fully processed and accounting entries have been created. No further depreciation accrues.
Prior Period	To enter a retirement transaction for an asset that was actually retired in a prior accounting period, enter transaction and accounting dates that reflect the actual retirement and the accounting period in which you want the retirement posted

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NOTE

Prior period depreciation is any depreciation for the prior period that must be expensed to the current period. This is calculated when the transaction date is earlier than the accounting date for an asset transaction.

Full Retirement of Assets

- Remember that assets can be retired in one book and still depreciate in another.
- Prior period retirements: You need to enter the proper accounting and transaction dates that reflect the accounting period and actual retirement date on which you want it to be posted.

The information posts to the current period with the prior period dates.

Partial retirements

- By Quantity: When the asset consists of one or more components.
- By Cost: When components are set up with one or more units.
- Reinstatements can occur at any time. Once reinstated, depreciation continues based on the remaining value or life to date.

AMDPALC must be then run to recalculate any depreciation. AOS WILL PERFORM THIS PROCESS FOR EACH AGENCY!

How to Get There

Use these pages to retire assets:

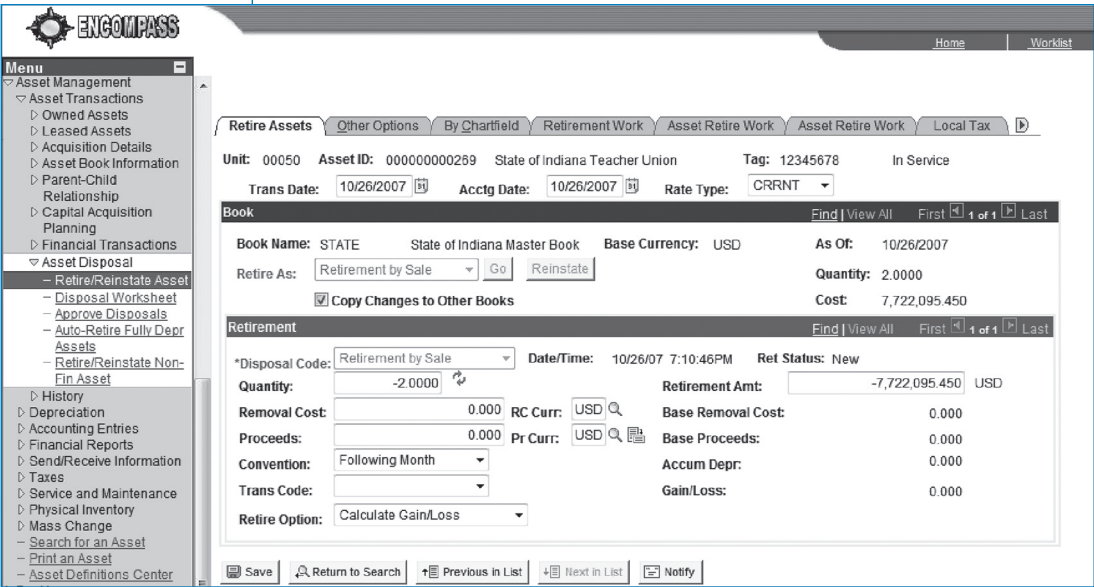
Navigation

Asset Management >> Asset Transactions >> Asset Disposal >> Retire/Reinstate Asset >> Retire Assets

Other options

Navigation

Asset Management >> Asset Transactions >> Asset Disposal >> Retire/Reinstate Asset >> Other Options



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Retire Assets page

Retire As:	Retirement by Sale
Retirement	Abandonment
*Disposal Cost	Auto-Retire Fully Depr Asset
Quantity:	Cannibalize for Other Asset
Removal Cost	Casualty Loss
Proceeds:	Disappeared Assets
Convention:	Disposal Due to Theft
Trans Code:	Donated to External Group
Retire Option	Like Kind Exchange
	Missing Asset
	Retirement by Sale
	Returned to Inventory
	Scrapped Assets
	State Surplus
	Traded In for another Asset
	Transferred to Another Unit

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Action	Usage	Gain/Loss
Abandonment	Select when the asset has no resale value and is left behind.	Calculations are based on the asset's net book value.
Auto-Retire Fully Depr Assets	NOT USED BY ENCOMPASS	NOT USED BY ENCOMPASS
Cannibalize for Other Assets	Select when the asset has been dismantled and the parts reused within your organization.	Calculations are based on the asset's net book value.
Casualty Loss	Select when an asset is destroyed. You can't sell it and you will probably incur removal costs disposing of it.	Accumulated depreciation deducted from the retirement amount to determine gain or loss.
Disappeared Assets	Select when an asset cannot be located or you are not sure if it was abandoned or stolen.	Calculations based on the asset's net book value.
Disposal Due to Theft	Select when an asset has been stolen.	Accumulated depreciation deducted from the retirement amount to determine amount of loss.
Donated to External Group	Select when an asset is donated, typically to a nonprofit organization.	Accumulated depreciation deducted from the amount to determine gain or loss.
Like Kind Exchange	NOT USED BY ENCOMPASS	NOT USED BY ENCOMPASS
Missing Asset	Select when an asset is missing.	Calculations based on the asset's net book value.
Retirement by Sale	Select if you are selling an asset.	The proceeds from the sale less the net book value determine gain or loss.
Returned to Inventory	NOT USED BY ENCOMPASS	NOT USED BY ENCOMPASS
Scrapped Assets	Select when the asset is no longer useful and has no resale value.	Accumulated depreciation is deducted and the removal costs added to determine gain or loss.
State Surplus	Used when formal approval has been obtain via Form 13812. Asset will be disposed for Agency and all moneys will be returned less minor fees.	The proceeds less commission cost of the sale.
Traded in for Another Asset	Select when you are trading one asset for another	You must run depreciation to calculate gain/loss.

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Below are the Steps for Retiring Assets:

Step	Action
1	For simple retirements, enter a transaction date that represents the date on which the retirement actually took place. Generally, the actual transaction takes place before you enter it in PeopleSoft Asset Management. The transaction date in combination with the prorate convention determines how much of the depreciation taken in PeopleSoft Asset Management has to be recovered.
2	Enter an accounting date, which determines when the retirement is posted to your general ledger.
3	Click the Retire button. This same navigation will be used for reinstatements that we will discuss later in this lesson. You must click one of these buttons before you can enter information into the other fields.
4	As Of Quantity, and Cost show the corresponding information for this asset in the selected book before you save your changes. You may use this information as a reference when you enter quantity or amount information to partially retire an asset.
5	The system automatically populates Quantity with the total number of units and Retirement Amount with the total cost for all units. Adjust either amount for a partial retirement.

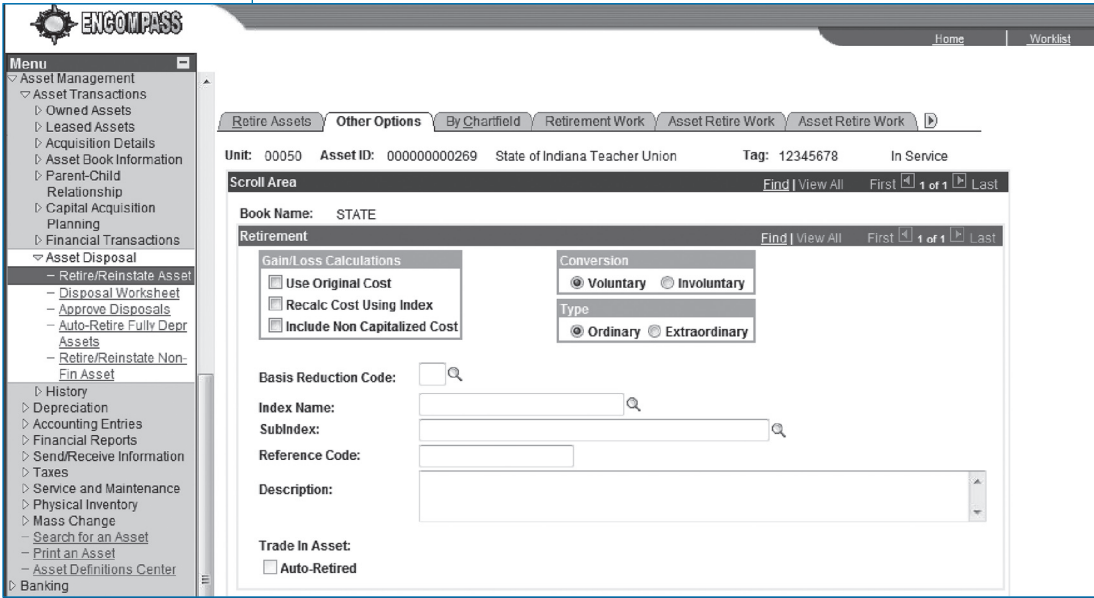
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PeopleSoft Asset Management enables you to retire assets fully, partially, or by prior period.

Use these pages to select the processing options related to your asset’s retirement:

Navigation

Asset Management >> Asset Transactions >> Asset Disposal >> Retire/Reinstate Asset >> Other Options



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Other Options page

Gain/loss is calculated when the depreciation calculation process (AMDPCALC) is run. Fully depreciated assets are also called fully reserved assets.

Completing the Other Options Page

Select the appropriate Gain/Loss Calculations check box.

The following is informational only: Select Voluntary or Involuntary to indicate the reason for the retirement. Select Ordinary or Extraordinary to indicate how the gain or loss that results from the retirement should be reported. In the Reference Code field, enter information that helps you track the asset, such as retirement documentation or Asset ID.

PeopleSoft Asset Management allows computations by using the By ChartField page.

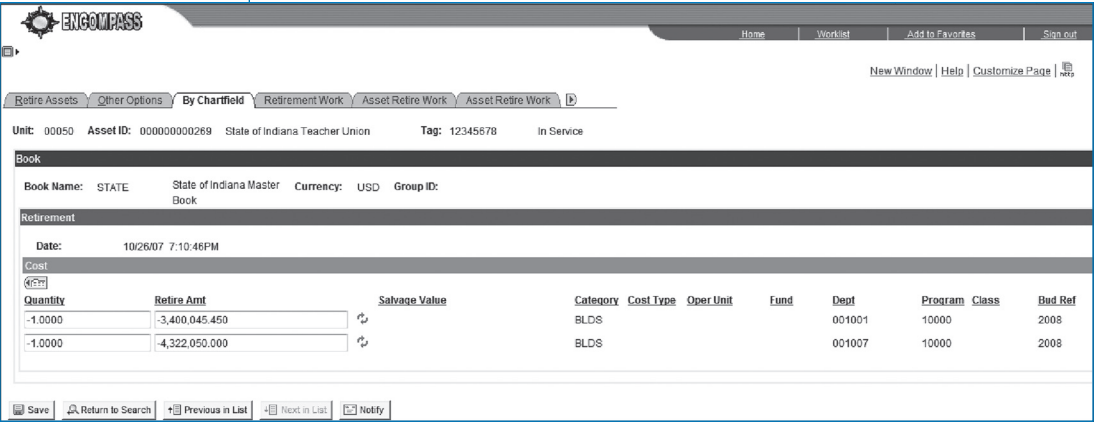
This is useful when it is desired to partially retire assets that are shared between departments.

How to Get There:

Use this page to specify the ChartFields to be used:

Navigation

Asset Management >> Asset Transactions >> Asset Disposal >> Retire/Reinstate Asset >> By Chartfield



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By Chartfield page

Guided Activity | Retiring Assets

Activity Overview

In this activity, the student will retire the Valparaiso Fish Hatchery from business unit 00050 by scrapping it for Proceeds of 478,000 and Removal Cost of 62,000.

To retire assets:

- 1
- Select Asset Management >> Asset Transactions >> Asset Disposal >> Retire / Reinstatement Asset.
- 2
- Search the business unit 00050 to locate the Valparaiso Fish Hatchery (Chapter 2, Exercise # 3)

- 3
- Enter the following information:

Page Element	Value or Status
Retire As	Scrapped Assets

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- 4
- Click the GO button.

- 5
- Enter the following information:

Page Element	Value or Status
Removal Cost	62,000
Proceeds	478,000

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- 6
- Click *Save*.

Other types of retirements include:

- Trade-Ins
- State Surplus
- Non-Financial Assets

You can choose to trade-in one asset for another. To retire the original asset, select Traded-In for another Asset as the Retire As action, and enter any trade-in allowance that you receive as proceeds in the proceeds field. These proceeds are factored into the gain/loss calculation.

Use this page to retire assets:

Navigation

Asset Management >> Financial Management >> Asset Disposal >> Retire/Reinstatement Asset >> Retire Assets

ENCOMPASS

Retire Assets

Other Options

By Chartfield

Retirement Work

Asset Retire Work

Asset Retire Work

Local Tax

Unit: 00050 Asset ID: 000000000269 State of Indiana Teacher Union Tag: 12345678 Disposed

Trans Date: 10/26/2007 Acctg Date: 10/26/2007 Rate Type: CRRNT

Book

Find | View All First 1 of 1 Last

Book Name: STATE State of Indiana Master Book Base Currency: USD As Of: 10/26/2007

Retire As: Traded In for another As Go Reinstatement Quantity: 2.0000

Cost: 7,722,095.450

Copy Changes to Other Books

Retirement

Find | View All First 1 of 1 Last

*Disposal Code: Traded In for another Asse Date/Time: 10/26/07 7:15:00PM Ret Status: New

Quantity: -2.0000 Retirement Amt: -7,722,095.450 USD

Removal Cost: 25,600.000 RC Curr: USD Base Removal Cost: 25,600.000

Proceeds: 6,500,000.000 Pr Curr: USD Base Proceeds: 6,500,000.000

Convention: Following Month Accum Depr: 0.000

Trans Code: Gain/Loss: 0.000

Retire Option: Calculate Gain/Loss

Save Return to Search Notify

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Retire Assets page

Use this page to enter the asset ID for the asset that you traded in to acquire the new asset:

Navigation

Asset Management >> Owned Assets >> Express Add >> Cost/Asset Information

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Cost/Asset Information page

NOTE

When entering the cost of the new asset, be sure to enter the amount actually paid (price minus the trade-in proceeds), not the total cost of the asset. The trade-in proceeds are added to the amount entered in the Base Cost field.

Guided Activity | Retiring an Asset as a Trade-In

Activity Overview

In this activity, you will replace the 2007 Chevy Malibu by retiring the old car as a trade-in and adding a new car for 15,000.

Retiring an Asset as a Trade-In

To retire an asset as a trade-in:

- 1 Select Asset Management >> Financial Management >> Asset Disposal >> Retire/Reinstate Asset.
- 2 Search the business unit 00050 to locate the employee of the year car.
- 3 Select 2007 Chevy Malibu.
- 4 Enter the following information:

Page Element	Value or Status
Retire As	Traded In for another Asset

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- 5 Click GO.
- 6 Enter the following information:

Page Element	Value or Status
Proceeds	21,000
Trans Code	Trade-In

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- 7 Click Save.
- 8 Note that the asset now has a status of Disposed.
- 9 Notify instructor that the exercise has been completed.

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- 10
- Select Asset Management >> Depreciation >> Processing >> Calculate.
- 11
- Run the Depreciation Calculation process (AMDPCALC) to calculate both the realized gain and the recognized gain for the retired asset. GMIS will always run the AMDPCALC process. Please inform instructor when you have reached this step.
- 12
- Enter the following information:

Page Element	Value or Status
Process Frequency	Always
Unit	00050
From Asset ID	ID for the employee of the year car
To Asset ID	ID for the employee of the year car

AMT55

- 13
- Click *Run*.
- 14
- Click *OK*.
- 15
- Run to a status of success.
- 16
- View the result of this calculation in the Gain/Loss field on the Retire Assets page.
- 17
- Any realized loss is not recognized.

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- 18
- Add a new asset by selecting Asset Management >> Owned Asset >> Express Add and enter the following information:

Page Element	Value or Status
Business Unit	00050
Asset ID	NEXT (default)
Profile ID	50501
Description	2008 Chevy Malibu
Location	022ISC1 – Indiana Supreme Court
Trans Date	Current Date
Acctg Date	Current Date
Quantity	1
Cost	15,000

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- 19
- Click *Default Profile*.
- 20
- Enter the following information in Asset Additional Information:

Page Element	Value or Status
Acquisition Code	Trade-In

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- 21
- Click the Refresh icon.
- 22
- Enter the following information in Asset Additional Information:

Page Element	Value or Status
Asset ID	Asset ID of the retired employee of the year car

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- 23
- Check the Cost field to see that the proceeds (amount paid for the new asset) have been added to the new cost and the total now appears in the Cost field.
- 24
- Click *Save*.

Guided Activity | Retiring an Asset to State Surplus

Activity Overview

In this activity, the student will retire the Valparaiso Fish Hatchery to State Surplus.

Retiring an Asset as a Trade-In

To retire an asset as a trade-in:

- 1
- Select Asset Management >> Financial Management >> Asset Disposal >> Retire/Reinstate Asset.
- 2
- Search the business unit 00050 to locate the employee of the year car.
- 3
- Select Valparaiso Fish Hatchery.
- 4
- Enter the following information:

Page Element	Value or Status
Retire As	State Surplus

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- 5
- Click *GO*.
- 6
- Save *Click*.
- 7
- Note that the asset now has a status of Disposed

Reinstating Assets

On occasion, you might need to reinstate an asset that had been retired.

The same process is used to retire financial assets, including parent/child assets, and non-financial assets.

All journal entries created by the retirement are reversed.

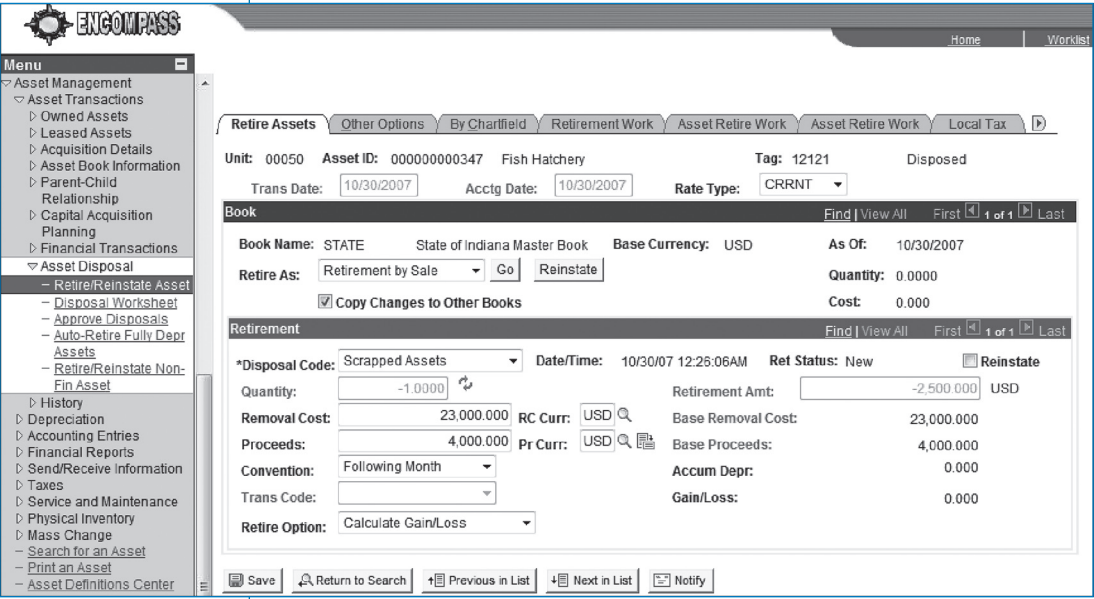
To ensure that asset information posts correctly, you must generate a depreciation request whenever you reinstate an asset.

Reinstatement of non-financial assets only involves changing the asset status to In Service and, in the case of operating leases, restarting any future lease payments.

Use this page to retire assets:

Navigation

Asset Management >> Asset Transactions >> Asset Disposal >> Retire/Reinstate Asset >> Retire Assets



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Retire Assets page

Reinstate financial assets from the Retire Assets page by clicking the Reinstate button to make the asset active again.

PeopleSoft Asset Management performs the reinstatement automatically. The Proceeds, Removal Costs, Reserve, and Gain/Loss fields are reset to zero, and the amount in Retire Amt is added back to your balance sheet (financial assets only).

All journal entries created by the retirement are reversed. To ensure that asset information posts correctly, a depreciation request is generated when you reinstate assets. The transaction date is automatically set to the retirement date. If you accidentally retired an asset in the wrong period, you have to deduct depreciation from the time the asset was actually retired. Any depreciation to which you were entitled during the accounting periods this asset was retired in is calculated and posted to your current accounting period as prior depreciation.

Once you reinstate an asset, all fields on the page become unavailable for data entry. If you want to retire this asset subsequently, you must reenter the page.

Guided Activity | Reinstating Assets

In this activity, you will review the activity overview and reinstate an asset.

Activity Overview

In this activity, the student will reinstate the Fish Hatchery that was retired earlier in this chapter.

Reinstating an Asset

To reinstate an asset:

- 1 Select Asset Management >> Asset Transactions >> Asset Disposal >> Retire/Reinstate Asset.
- 2 Search the business unit 00050 to locate the Fish Hatchery.
- 3 Click *Reinstate*.
- 4 Click *Save*.
- 5 Note that the asset’s status has changed to *In Service*.

